

# Decision

## RIO-2 MSIP 2025 Re-openers (NGET Additional Applications): Final Determinations

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This document sets out our Final Determinations (FD) on National Grid Electricity Transmission's (NGET's) five additional Medium Sized Investment Project (MSIP) Re-opener applications under Special Condition (SpC) 3.14 of its Electricity Transmission Licence. We consulted on our Draft Determinations between 10 December 2025 and 19 January 2026 and asked stakeholders several questions. We received two responses, one from NGET and one from the National Energy System Operator (NESO).

Our Final Determinations are £33.426m of total allowances for the five MSIP projects, of which £20.309m relate to RIO-ET2 and £13.117m relate to RIO-ET3.

We published a statutory consultation on 2 February 2026 proposing the relevant modifications to NGET's electricity transmission licence to give effect to our FDs.

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## **Decision RIIO-2 MSIP 2025 Re-openers (NGET Additional Applications): Final Determinations**

### **1. Introduction**

#### **Background**

- 1.1 Network companies are natural monopolies. Effective regulation of privatised, for-profit monopolies is essential to ensure they cannot unfairly exercise their monopoly power to the detriment of their customers. This is particularly important in the case of essential utilities, such as energy, where consumers have no choice on whether or not to pay what they are charged. It is therefore crucial that an effective regulator protects energy consumers by controlling how much network companies can charge their customers. Ofgem does this through periodic price controls that are designed to ensure network companies are properly incentivised to deliver the best possible outcomes for current and future energy consumers. This includes ensuring that consumers only pay for investments that are needed and do not overpay for those investments.
- 1.2 The current price control model is known as RIIO (Revenue = Incentives + Innovation + Outputs). RIIO-ET2 is the second price control under the RIIO model for electricity transmission and runs from 1 April 2021 until 31 March 2026. It includes a range of Uncertainty Mechanisms (UMs) that allow us to assess applications for additional funding during RIIO-2 as the need, cost or timing of proposed projects becomes clearer. This ensures that consumers fund projects only when there is clear evidence of benefit, and we have clarity on likely costs and cost efficiency. These mechanisms also ensure that the RIIO-2 price control has flexibility to adapt as the pathways to Net Zero become clearer.
- 1.3 Where possible, we have set automatic UMs, such as the Generation and Demand Connection Volume Drivers, which provide Electricity Transmission Owners (ETO) with immediate funding when they are required to undertake new customer connection works. In other areas, where the degree of uncertainty is too great to allow for an automatic mechanism, we set 're-openers' which will allow us to assess proposals robustly once information with sufficient accuracy is made available.

#### **What did we consult on?**

- 1.4 The Medium Sized Investment Project (MSIP) re-opener provides each ETO with an annual opportunity to request additional funding for projects forecast to cost less than £100m in order to carry out the 13 activities listed in Special Condition 3.14.6 (SpC 3.14.6)<sup>1</sup> of its licence. It was developed to ensure that ETOs are able to

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<sup>1</sup> The 13 MSIP activities under SpC 3.14.6 are listed in Appendix 1 for reference.

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undertake necessary investments in the transmission network, funding for which has not been provided in RIIO-2 price control baseline allowances<sup>2</sup>.

- 1.5 NGET applied for additional allowances for five projects submitted under the SpC 3.14 MSIP re-opener mechanism in January 2025. Due to the procurement schedules for these five projects submitted in January 2025, NGET requested permission to provide cost updates at a later date. We agreed to provide flexibility to accommodate these later cost updates due to the scope of these projects being sufficiently defined and the tendering process having commenced. Following formal submission, NGET also provided additional information to use in our assessment through responses to Supplementary Questions (SQ) and in bilateral meetings.
- 1.6 We considered the proposal and relevant justification for the funding requests in accordance with our Principal Objective and statutory duties. In line with the Re-opener Guidance and Application Requirements Document, our assessment of each project covered the following three areas:
  - The needs case,
  - The options assessment and justification for the proposed project; and
  - The efficient costs.
- 1.7 We consulted on our assessment of NGET's five MSIP projects between 10 December 2025 and 19 January 2026, and included a draft of the licence modification that would be used to implement our decision. Our Draft Determinations (DD) proposed to approve £33.426m of additional allowances across RIIO-ET2 and RIIO-ET3 to undertake these five MSIP projects.
- 1.8 NGET's 2025 MSIP applications subject to this decision are:
  - **Anglo Scottish Operational Tripping Systems (OTS):** extending the Line End Open (LEO) scheme from the B6 boundary towards the B7a boundary.
  - **Central Pathfinders – Walpole:** extending the eastern end of Walpole substation to accommodate connection of two synchronous condensers as part of the National Energy System Operator (NESO) grid stability pathfinder phase 3.
  - **South Wales Pathfinders – Cilfynydd:** Double AIS Busbar extension of 400kV substation to the east to provide space for synchronous compensator connection.

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<sup>2</sup> Baseline allowance means the allowance for the Direct Expenditure for each ETO in RIIO-ET2 Final Determinations.

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- **South Wales Pathfinders – Swansea North:** construction of a non-standard single tee non-firm connection to enable connection of synchronous compensators.
- **South Wales Pathfinders – Upper Boat:** extension of mesh corner one and four at Upper Boat substation to enable connection of synchronous compensators.

1.9 We received two responses to the consultation: one from NGET and one from the National Energy System Operator. We have published redacted versions of these responses on our website alongside this document. Where elements of the responses have been redacted it has been for reasons of commercial confidentiality, in line with the redaction policy set out in Appendix 12 of the [Re-opener Guidance and Application Requirements](#) document.

## Context and related publications

1.10 This document is intended to be read alongside:

- [Draft Determinations on RIIO-2 Re-opener Applications 2025: Electricity Transmission Medium Sized Investment Projects | Ofgem](#)
- [Re-opener Guidance and Application Requirements | Ofgem](#)
- NGET's [Licence](#)
- MSIP re-opener submission documents on [NGET's website](#)

## Decision-making stages

**Stage 1** Consultation open: 10 December 2025

**Stage 2** Consultation closes (awaiting decision). Deadline for responses: 19 January 2026

**Stage 3** Responses reviewed and published: Q1 2026

**Stage 4** Consultation outcome: Q1 2026

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### 2. Summary of our Draft Determinations, consultation responses and our Final Determinations

#### Summary of our Draft and Final Determinations

2.1 Table 1 below sets out our Draft and Final Determinations for NGET's five MSIP Re-opener projects. Appendix 2 sets out the annual profile of allowances for each project.

**Table 1 Forecast Costs, Draft Determinations and Final Determinations on NGET's MSIP Projects (£m, 2018/19 prices)**

Company Requested Project	Company Requested Forecast costs £m (Total)	Ofgem's DD - Allowances £m (Total)	Ofgem's FD - Allowances £m (Total)	Company Requested Forecast costs £m (ET2)	Ofgem's DD - Allowances £m (ET2)	Ofgem's FD - Allowances £m (ET2)
NGET OTS - Anglo Scottish	2.941	2.766	2.766	1.255	1.168	1.168
NGET Pathfinder - Walpole	9.197	7.711	7.711	5.496	4.477	4.477
NGET Pathfinder - Cilfynydd	6.672	6.212	6.212	4.887	4.605	4.605
NGET Swansea North Greener Grid	9.234	8.541	8.541	5.984	5.636	5.636
NGET Pathfinder - Upper Boat	8.848	8.196	8.196	4.743	4.423	4.423
<b>Total</b>	<b>36.893</b>	<b>33.426</b>	<b>33.426</b>	<b>22.365</b>	<b>20.309</b>	<b>20.309</b>

#### Summary of our Draft Determinations

2.2 NGET applied for additional allowances for five MSIP projects, as listed in Table 1 above. We assessed these MSIP projects and in our Draft Determinations:

- Proposed to accept the eligibility for all five MSIP projects and accept the needs cases for all five MSIP projects.
- Agreed that appropriate optioneering had been considered to address the needs cases for four MSIP projects and partially rejected the optioneering for the Swansea North South Wales Pathfinder.
- Proposed adjustments to project allowances by removing Closely Associated Indirects (CAI) costs as these should be funded through the Opex Escalator

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mechanism, removing project costs no longer incurred and setting the risk allowance at an average rate of 7.5%.

### Responses to our Draft Determinations

2.3 We received two responses, one from NGET and one from NESO. The non-confidential responses to our consultation have been published alongside our decision. The following paragraphs summarise the responses relating to eligibility, needs case, optioneering and cost assessment.

#### Eligibility and Needs Case

2.4 NGET agreed with our assessment of the needs case for the five NGET MSIP projects. NESO agreed with the need for the five NGET MSIP projects to enable constraint costs to be reduced and support delivery of Clean Power 2030.

#### Optioneering

2.5 NGET agreed with our assessment of the optioneering on its MSIP applications, with the exception of the Swansea North South Wales Pathfinder. NGET disagreed with the categorisation of our optioneering assessment for Swansea North as rejected or partially rejected and argued that the optioneering should instead be categorised as approved as our assessment accepts NGET's preferred option in the specific circumstances of the connection at Swansea North.

2.6 NESO agreed that the works identified for the four Pathfinder projects will facilitate the connection for the related Stability Phase 3 contracts awarded by NESO. NESO also agreed that the Anglo Scottish OTS project will extend the OTS to include circuits in Northern England to manage system constraints.

#### Cost Assessment

2.7 NESO did not comment specifically on our cost assessment. NGET disagreed with our cost assessment, summarised in the following points:

- **Risk and contingency allowance:** NGET disagreed with our treatment of contractors' risk and contingency (including costs not explicitly labelled as risk and contingency) as part of the overall risk and contingency costs of the project. It also disagreed with the risk allocation we applied to all five projects because it considered that the value of risk that is being used by Ofgem (i.e. the 7.5%) has been incorrectly derived and does not represent the average of comparable projects. Furthermore, NGET disagreed with the adjustments to risk allowances in our DDs, arguing that the approach is inconsistent with the RIIO-ET3 Final Determinations. NGET's response requests that either a risk and contingency benchmark of 10% of allowed direct costs is applied for each project, or that a case-by-case assessment is made for each project to determine risk and contingency allowances.

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- Closely Associated Indirects: NGET disagreed with our proposal to adjust its allowances by removing defined CAI activities from the direct costs. NGET disagreed with our CAI adjustments on the basis of a different interpretation of the [Regulatory Instructions and Guidance](#) (RIGs), relating to reclassification of costs for surveys and Biodiversity Net Gain (BNG).
- Adjustment for inflation: NGET disagreed with our proposal to remove Real Price Effects (RPE) estimates from the four Pathfinder MSIP projects where these costs were included, arguing that they expect to incur costs above the [Consumer Prices Index including owner occupiers' housing costs](#) (CPIH) inflation for Main Works Contractor (MWC) and other direct costs on these projects.

## Our Final Determinations

### Eligibility and Needs Case

2.8 Having considered the consultation responses, as there are no opposing views, we maintain our position set out in the DDs to accept the eligibility and needs case for all five NGET MSIP projects.

### Optioneering

2.9 With the exception of Swansea North, as discussed below, in the absence of any opposing views our decision is to approve the optioneering for the NGET MSIPs considered in our DDs.

2.10 We continue to have concerns regarding the use of a single tee non-firm connection being used for the stability services pathfinder project at Swansea North. As outlined in paragraphs 3.21 to 3.23 of our DDs, we proposed awarding efficient allowances based on NGET's preferred option following our assessment of the specific circumstances of the project.

2.11 NGET's consultation response explained that, in some instances, deviations from its User Connection Configuration policy is warranted, for example due to project or site-specific considerations. We maintain our position set out in the DDs to approve funding for NGET's preferred option due to the specific circumstances of the Swansea North Pathfinder project. Any assessment of future applications that deviate from NGET's [current connection practice](#) will be made on the basis of the specific circumstances of the project.

### Cost Assessment

2.12 Closely Associated Indirects: We have reviewed the further information provided by NGET against the RIGs definitions in relation to the costs reclassified as CAI in our DDs:

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- **Surveys:** NGET argued that the surveys performed for Upper Boat, Swansea North and Cilfynydd projects should be classified as direct due to the stage of design that they are intended to support. The only survey type defined in the RIGs as Direct Activities are those associated with flooding. The description of the surveys provided in NGET's consultation response for Upper Boat, Swansea and Cilfynydd projects do not demonstrate that they meet the definition of Direct Activities.
- **Biodiversity Net Gain:** NGET argued that BNG costs should not be funded through the Opex Escalator mechanism as the design was based on a regression of historic costs that did not include any BNG related costs, due to the legislation requiring BNG coming into force after the beginning of RIIO-ET2. NGET's consultation response did not include any information to support the classification these costs as Direct Activities. Adding BNG costs included in NGET's submission to the MSIP allowances for relevant projects would risk double counting the funding provided for indirect costs associated with these projects through the Opex Escalator mechanism.
- Consistent with our decisions made on other MSIP projects in 2025, we maintain our view that the cost categories discussed above are correctly classified as indirect costs and confirm our proposed adjustments to project costs in the DDs by taking out CAI costs as these should be funded through the Opex Escalator mechanism.

### 2.13 Risk and Contingency:

- We maintain our view that the risk and contingency allocation should be considered for the whole project, irrespective of which party is carrying it out. Therefore, we confirm our DD proposal to aggregate the total risk and contingency allocation across the different delivery methods used for each project.
- NGET argued against the inclusion of contractor cost estimates relating to possible project delays within the adjustments for risk and contingency. We believe it is consistent to include these costs as potential project delays are commonly cited as components of risk and contingency allowances.
- We maintain our view that aligning the level of risk and contingency allowance in re-opener applications, i.e. at 7.5% as set out in the DDs, with that provided in the RIIO-ET2 FDs is appropriate for all RIIO-ET2 re-openers.
- We disagree with NGET's argument that decisions included in the RIIO-ET3 FDs should apply retrospectively to applications made under RIIO-ET2 re-opener mechanisms.

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### 2.14 Adjustment for Inflation:

- We maintain our view that additional costs for inflation above the adjustments for CPIH inflation applied through the Price Control Financial Model should be removed. NGET included £0.153m of additional costs across four of its MSIP projects applying an RPE estimate to MWC and some other direct costs. The decision taken in RIIO-ET2 FDs was to not apply RPEs to allowances set through re-opener mechanisms, including MSIP, and therefore we continue to apply the same adjustments to these costs in our Final Determinations.

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### **3. Conclusions and Next Steps**

- 3.1 We have considered all consultation responses and concluded our assessment of the five NGET MSIP projects.
- 3.2 To give effect to our decision on these five NGET MSIP project we published a [statutory consultation](#) on 2 February 2026 proposing relevant modifications to NGET's licence in accordance with section 11A of the Electricity Act 1989. After the statutory consultation closes on 2 March 2026, we will review any responses to the consultation and then publish our decision, including the final text of any modifications to NGET's licence.

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### **Send us your feedback**

We believe that consultation is at the heart of good policy development. We are keen to receive your comments about this decision. We would also like to get your answers to these questions:

- Do you have any comments about the quality of this document?
- Do you have any comments about its tone and content?
- Was it easy to read and understand? Or could it have been better written?
- Are its conclusions balanced?
- Did it make reasoned recommendations?
- Do you have any further comments?

Please send your feedback to [stakeholders@ofgem.gov.uk](mailto:stakeholders@ofgem.gov.uk).

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### Appendix 1. List of activities under MSIP re-opener

The activities listed under MSIP re-opener in SpC 3.14.6 are:

- (a) a Generation Connection project, including all infrastructure related to that project, the forecast costs of which are at least £4.24m more or less than the level that could be provided for under Special Condition 3.11 (Generation Connections volume driver);
- (b) a Demand Connection project, including all infrastructure related to that project, the forecast costs of which are at least £4.24m more or less than the level that could be provided for under Special Condition 3.12 (Demand Connection volume driver);
- (c) a Boundary Reinforcement Project that has received a NOA Proceed Signal in the most recent NOA;
- (d) a Flooding Defence Project, the purpose of which is to follow:
  - i. updates to the Energy Networks Association's report titled 'Engineering Technical Report (ETR138)' guidance on flooding; or
  - ii. a request from government, or a body which has responsibility for flood prevention, to protect sites from flooding;
- (e) an Electricity System Restoration Project following the establishment of an Electricity System Restoration Standard;
- (f) a system operability or constraint management project that has been requested by the System Operator;
- (g) projects that are needed in order to meet NETS SQSS requirements regarding security, or system operability;
- (h) Harmonic Filtering projects that are needed following:
  - i. requests from the licensee's customers to aggregate and deliver Harmonic Filtering requirements; or
  - ii. system studies by the System Operator or the licensee showing a need for additional Harmonic Filtering on the National Electricity Transmission System;
- (i) protection projects that are needed following:
  - i. system studies by the System Operator or the licensee showing a need for changes to the protection settings or replacement of protection relay with inadequate range;
  - ii. system studies by the System Operator or the licensee showing a need for dynamic line ratings; or
  - iii. system studies by the System Operator or the licensee showing a need for an operational intertrip;

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- (j) data transformation and improvement projects, to implement recommendations regarding specific outputs required to meet principles developed by industry data working groups;
- (k) SF6 asset interventions, where the licensee can demonstrate a well-justified SF6 Intervention Plan;
- (l) a project identified by NGENSO as required to be delivered by 2030; and
- (m) a project required to enable delivery of an ASTI project.

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**Appendix 2. NGET MSIP Projects Annual Allowance Profile**

<b>Company Requested Project (£m, 2018/19 prices)</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>Total</b>
NGET OTS - Anglo Scottish	0.000	0.000	0.002	0.000	1.165	1.598	0.000	<b>2.766</b>
NGET Pathfinder – Walpole	0.000	0.000	0.000	0.154	4.323	3.234	0.000	<b>7.711</b>
NGET Pathfinder – Cilfynydd	0.000	0.000	0.002	0.687	3.916	1.607	0.000	<b>6.212</b>
NGET Swansea North Greener Grid	0.000	0.000	0.000	0.982	4.654	2.905	0.000	<b>8.541</b>
NGET Pathfinder - Upper Boat	0.000	0.000	0.003	1.474	2.946	2.703	1.070	<b>8.196</b>